PRIVATE SECTOR BANKS (Amounts in Rs. crore)

As on the last Reporting Friday of	March 2000	March 2001	March 2002	March 2003 (provisional)	March 2004 (provisional)
Net Bank Credit	46521	56482	62810	77571	111635
total priority sector advances	18348 (39.4%)	21567 (36.7%)	25709 (40.9%)	36705 (44.4%)	52861 (47.3%)
Volume of shortfall in priority sector lending target	279	1864	-	-	-
Total advances to	4481	5634	8022	11873	17652
agriculture	(9.63%)	(9.6%)	(8.5%)	(10.8%)	(12.3%)
Volume of shortfall in agriculture lending target	3894	4744	5967	5585	6363

#Indirect agriculture is reckoned only up to 4.5% of Net Bank Credit.
Note: Figures in brackets denote percentage to Net Bank Credit.

Inflation Rate

1931. SHRI KALRAJ MISHRA:
SHRI S.M. LALJAN BASHA:
SHRIMATI SAVITA SHARDA:
SHRI DARA SINGH:
SHRI V. HANUMANTHA RAO:
SHRI MURLI DEORA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that rate of inflation on the 6th November, 2004 was recorded at 7.76 per cent;

(b) if so, what are the reasons for the RBI's inability to use monetary tools to control inflation;

(c) whether it a fact that the RBI has expressed its inability to control inflation;

(d) if so, Government's reaction thereto;

(e) whether there is any proposal to study the recent operations of RBI in this regard;

(f) the steps proposed to control inflationary pressure in the country;

(g) whether this rise in prices can vitiate the overall atmosphere of low and stable interest rates of banks effecting the credit delivery to agriculture and industry; and

(h) if so, the assessment thereof and the expected increase in interest rate?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (e) Yes, Sir. The annual point to point inflation in terms of the Wholesale Price Index (WPI) was recorded 7.76 per cent on the 6th November 2004, down from the peak level of 8.7 per cent reached on 28th August 2004.

To check the liquidity overhang in the system, the Reserve Bank of India (RBI), on September 11, 2004, hiked the cash reserve ratio (CRR), to be maintained by banks, by 50 basis points to 5 per cent of their demand and time liabilities.

In its Mid-Term Review of the Annual Policy Statement for 2004-05 announced on October 26, 2004, the RBI hiked the reverse repo rate (i.e., the interest rate paid on bank funds placed with the RBI against government paper) by 25 basis points to 4.75 per cent.

On assuming that there would be no further major supply shock and liquidity conditions remain manageable, the RBI has projected that the point to point year- end inflation based on WPI for the year 2004-05 could be around 6.5 per cent.

(f) to (h) Containment of inflation remains high on the agenda of the government. Anti-inflationary policies of the government include strict fiscal and monetary discipline, rationalisation of excise and import duties of essential commodities so that there is no undue burden on the poor, effective supply-demand management of sensitive items through liberal

tariff and trade policies, and strengthening the public distribution system. Specific measures taken by the government to contain inflation include the following:

On June 15, 2004, government reduced excise duties on selected petroleum products to keep their domestic retail prices in check in the face of rising international prices of oil. Excise duty on petrol was reduced from 30 per cent to 26 per cent, that on high speed diesel from 14 per cent to 11 per cent and that on liquified petroleum gas (LPG) from 16 per cent to 8 per cent.

On August 18, 2004, government further reduced excise and customs duties on selected petroleum products Customs duty on petrol, diesel, LPG and kerosene were reduced by 5 per cent each, while excise duty was reduced by 3 per cent each for petrol and diesel and by 4 per cent for kerosene.

On August, 20, 2004 government reduced customs duties on non-alloy steel and ships for breaking to 5 per cent from 10 and 15 per cent respectively in order to check high inflation in metals and metal products. Melting scrap of iron and steel was fully exempted from customs duty.

In a bid to control the edible oils and make its availability easy, the government on September 16, 2004 cut tariff values on many vegetable oils by around $50 a metric ton.

As there was a fall in the international prices of crude oil, oil companies reduced the prices of petrol by up to Rs. 1.26 per litre with effect from November 15, 2004.

As a result of these fiscal and monetary measures, the inflation rate has come down to 7.02 per cent as on 36th week ended on 4th December 2004. These measures are also expected to keep the stability in interest rate.

Implementation of VAT in States

1932. SHRI NANA DESHMUKH:
SHRI SANJAY NIRUPAM:

Will the Minister of FINANCE be pleased to state:

(a) the present status with regard to the implementation of Value Added Tax in different States in the country;